

# ENHANCING SOCIO-ECONOMIC DEVELOPMENT AND INDUSTRIALISATION IN AFRICA THROUGH EFFECTIVE PROCUREMENT



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# Background

- Governments face uncertain times and difficult decisions.
- African governments are not harnessing the potentials of procurement.
- Public procurement globally amounts to approximately 15% of GDP and 1.3 trillion procurement spending (OECD, 2013) (In SA, public procurement contributes 29% to GDP in 2014).

## *PanAvest International and Partners (2015):*

- *55% of African government spend went towards purchasing and procurement of goods and services, less than 10% of that spend was directed towards local suppliers.*
- *over 80% of the government organisations participating in the study were unaware of the true origin of the goods and services that they were spending their money on.*

**In developing countries, public procurement account for up to 70% of all government expenditure**



**CONSEQUENCES OF  
BAD PROCUREMENT**



# Background Cont.....

- Born out of the need to create “the Africa we want”.
- Since the birth of Agenda 2063, extensive preparations have been undertaken to define its structure and substance.
- There is a lack of understanding regarding the strategic role of public procurement and its inextricable link to long term quality service delivery and economic development (Boateng, 2015).
- However, little or no research on the strategic importance of public procurement towards the realisation of Africa Agenda 2063.



# PURPOSE AND METHOD

**Purpose:** To explore if public procurement can be used as a catalyst to drive Africa Agenda 2063 agenda.

## **Method:**

- A comprehensive review of related literature on public procurement practices.
- The relevant sources were: Journal articles, country reports, newspapers, books.



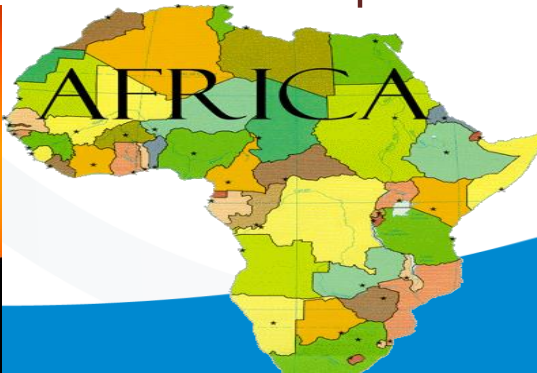


# ABOUT AFRICA

- The world's second-largest and second-most-populous continent.
- Huge natural resources & the continent is believed to hold:
  - 90% of the world's cobalt,
  - 90% of its platinum,
  - 50% of its gold,
  - 98% of its chromium (AllAfrica.com, 2008).

However,

- Rank the bottom 40 nations (145 to 185) [as low human developed nations] in the United Nations Human Development 2015 Report.
- Three out of every four Africans still live under poor human conditions, compared to one in five globally (Adesina et al., 2015:5).
- Trail behind other developing countries in terms of development pace.
- Per capita GDP growth is still significantly lower than in Asia;
- Economic diversification and sophistication remain low level (Zamfir, 2016).



# AFRICA AGENDA 2063

Agenda 2063 is a strategic framework for the socio-economic transformation of the continent over the next 50 years. It builds on, and seeks to accelerate the implementation of past, existing and new national, regional and continental initiatives for transformative, inclusive real growth with equity, rapid, resilient and sustainable socio-economic development.



# Africa Agenda 2063 Cont....

Between 1963 - 2013, Africa focused on colonisation, the struggle against apartheid and attainment of political independence

## Rolling plan:

Short term (10 years),  
Medium term - (10–25 years), and  
Long-term (25–50 years) perspectives.

- The AU took stock of Africa's performance over the last 50 years and draw lessons from it.
- Rekindled the spirit of Pan Africanism
- Embarked on the preparation of a long term Africa-wide Plan, called – **African Union Agenda 2063: A shared Strategic Framework for Equitable Growth and Sustainable Development.**



Agenda 2063



THE AFRICA WE WANT

# Africa Agenda 2063 Cont...

## 7 Aspirations of AFRICA AGENDA 2063

1. A Prosperous Africa, based on Inclusive Growth and Sustainable Development.
2. An Integrated Continent Politically united and based on the ideals of Pan Africanism and the vision of African Renaissance.
3. An Africa of Good Governance, Democracy, Respect for Human Rights, Justice and the Rule of Law.
4. A Peaceful and Secure Africa
5. Africa with a strong Cultural Identity Common Heritage, Values and Ethics.
6. An Africa whose Development is people driven, relying on the potential offered by African People, especially its Women and Youth, and caring for children.
7. An Africa as a strong, United, Resilient and Influential Global Player and Partner.

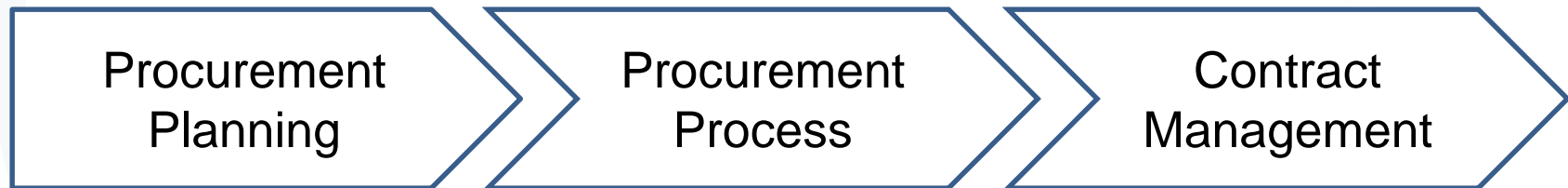


# Aspiration 1 goals and priority Areas for the First Ten Years of Agenda 2063

Aspiration	Goals	Priority Areas
1) A Prosperous Africa, based on Inclusive Growth and Sustainable Development	(1) A High Standard of Living, Quality of Life and Well Being for All Citizens	Incomes, Jobs and decent work Poverty, Inequality and Hunger Social security and protection Including Persons with Disabilities Modern and Liveable Habitats and Basic Quality Services
	(2) Well Educated Citizens and Skills revolution underpinned by Science, Technology and Innovation	Education and STI skills driven revolution
	(3) Healthy and well-nourished citizens	Health and Nutrition
	(4) Transformed Economies	Sustainable and inclusive economic growth / Industrialization and Value Addition Economic diversification and resilience Hospitality/Tourism
	(5) Modern Agriculture for increased productivity and production	Agricultural Productivity and Production
Aspiration 2: A More Inclusive and Equitable Africa	(7) Environmentally sustainable and climate resilient economies and communities	Bio-diversity, conservation and sustainable natural resource management. Water security Climate resilience and natural disasters preparedness and prevention Renewable energy

# PUBLIC PROCUREMENT

- ❑ Public Procurement may be defined as the Government's activity of purchasing the goods and services which it needs to carry out its functions;
- ❑ Public Procurement process comprises three key Phases:

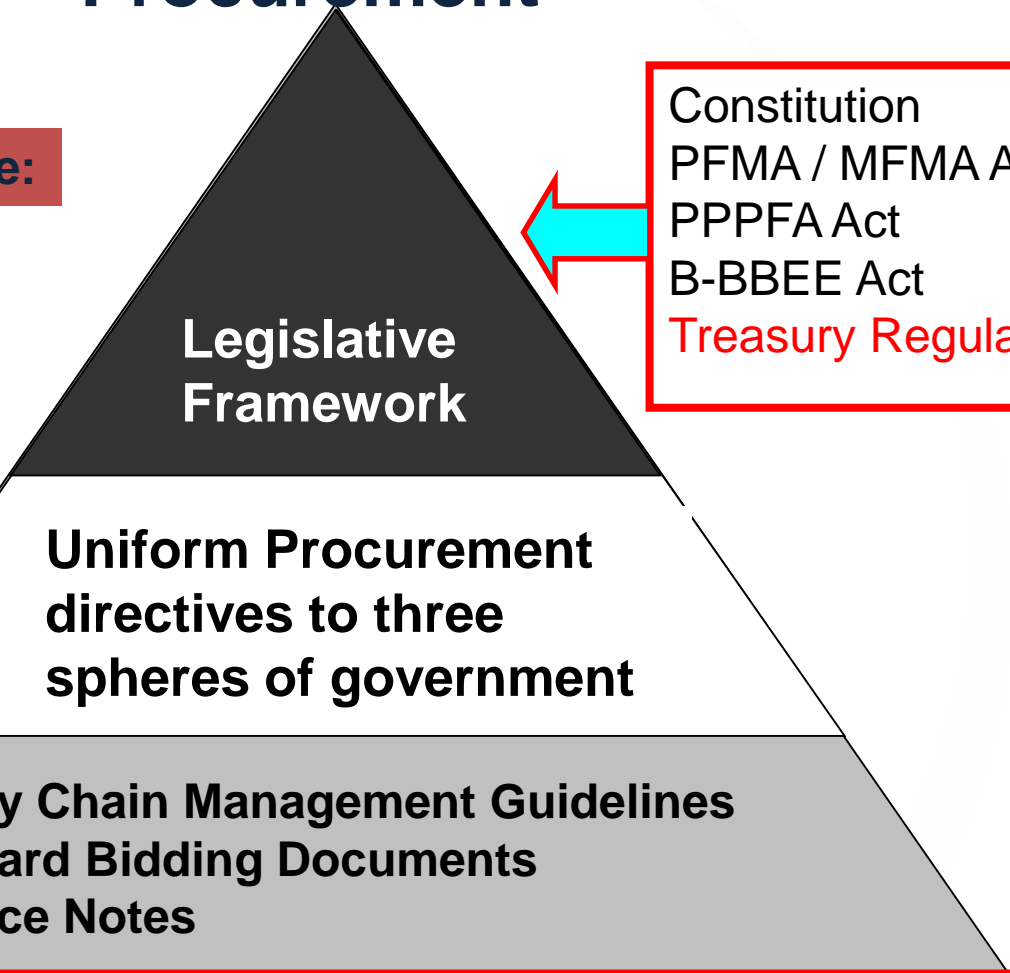


# Policies and Regulations Governing Public Procurement

South Africa for example:

Standard for Uniformity

National Treasury Best practice guidelines



- Constitution
- PFMA / MFMA Act
- PPPFA Act
- B-BBEE Act
- Treasury Regulations

CODES OF CONDUCT FOR SCM PRACTITIONERS AND BID COMMITTEE MEMBERS

# **Can Effective Procurement be used as a catalyst for Socio-Economic Development and Industrialisation to Africa Agenda 2063?**

- **Recognition of procurement as a strategic function**
- **Strategic sourcing**
- **Long term regional industrialisation**
- **Innovation as a driver for public procurement**
- **Sustainable public procurement practices (SPP)**



# Recognition of procurement as a strategic function

- Procurement is often seen as a back office role within the public sector.
- Despite the importance of public procurement, it is not still viewed as strategic by public sector decision makers.
- Its contribution is unfortunately seen as minimal and transactional.
- It is viewed purely as a 'number crunching exercise as opposed to a value-added and strategic business development function, placing it at a rather low position within an organisation.
- Harnessing the potential of public procurement in **Africa towards Agenda 2063** requires a major physiological change and embracing the strategic role of procurement within governments.

- There is a need to re-organise and re-align organisation structures to elevate procurement.
- Procurement and supply chain management should be elevated to a strategic function in government reporting directly to sector ministers rather than to finance.

# Strategic sourcing

- Strategic sourcing is a leading practice used to wring waste out of acquisition.
- As a sub-set of procurement leading practices, high value strategic sourcing can enable an organisation to significantly improve performance by buying more effectively and efficiently while coordinating acquisitions with organisational strategy.
- Strategic sourcing is a structured process that optimises government's supply base while reducing total cost of ownership (TCO) and improving service delivery.

For example: South Africa and Ghana are case examples where enacted policies such as the preferential Procurement Policy Act and Act 663 respectively are used with the intention to favour emerging local suppliers.

Public procurement officials need to focus on long term supplier and local economic development.



African governments generally buy products instead of strategically sourcing them.

# Long term regional industrialisation

- Procurement has the power to effect positive socio-economic change and support industrialisation and Africa's economic potential.
- Over the period 1995 to 2012, the average intra-African trade was 12% for Africa against 70% for APEC, 64% for European Union (EU), 44% for NEFTA, 24% for ASEAN and 18% for MERCUSOR (Anyanwu, 2014).
- Far less than 33% of government procurement expenditure goes directly supporting African-owned and based organisations (Boateng, 2015).



**African governments need to provide clearly defined national and regional procurement strategies related to SMME development. Such strategies should focus on increasing regional wide intra-African SMME trade through strategic consumer and industrial sourcing.**

# Innovation as a driver for public procurement

- Innovation in public procurement can be defined as the purchase of innovative products, services or processes through public demand with the aim to improve the performance and functionality of public services or to solve important socio-economic challenges (Müller, 2009).
- Of utmost challenge is to develop a public procurement regulatory framework that supports local innovations, including SMMEs and technology start-ups (Bolton, 2016).

In South Africa, for example, the government is actively looking at stimulating the local economy through innovative sourcing practices.





# Sustainable public procurement practices (SPP)

- Through SPP, governments can lead by example and deliver key policy objectives.
- Sustainable public procurement practices enables governments to meet environmental goals such as reducing greenhouse gas emissions, improving energy and water efficiency and supporting recycling (Turley and Perera, 2014).

In South Africa, SPP is used by the government to drive green industrial growth, implement Broad-Based Black Economic Empowerment, increase green innovation and increase the effectiveness targeted at SMMEs.

In the Western Cape in South Africa for example, the provincial government calls on organisation for 110% Green initiative across the province to commit to the Green Economy.

## Buying for Tomorrow

Sustainable public procurement and the use of standards as a mechanism to scale-up implementation



# CONCLUSION

- Effective procurement can be used to harness Socio-economic Development and Industrialisation in Africa supporting Africa Agenda 2063 Vision
- The lack of understanding regarding the strategic importance of public procurement and its inextricable link to long term quality service delivery may be the root cause of problems beleaguering the African continent.
- Procurement is considered an administrative rather than a strategic function.
- Strategic sourcing is not fully embraced. African governments generally buy products instead of strategically sourcing them.
- Significant progress has not been made in boosting intra-African trade. This means Africa is generally supporting long-term job creation in other regions of the world.
- There is a need develop public procurement regulatory frameworks that supports local innovations, including SMMEs and technology start-ups.
- From an economic perspective, sustainable procurement policies need to be developed that can generate income, reduce costs and support the transfer of skills and technology.

# WAY FORWRD

## EMPERICAL RESEARCH: RENDEZVOUS IPSERA 2018!

The scope of the project: 11 countries in 3 regions

Region	Countries
Southern Africa	South Africa; Zambia; Botswana
West Africa	Cameroon; Ghana; Nigeria; Côte d'Ivoire
East Africa	Kenya; Ethiopia; Uganda; Tanzania

# Thank you

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